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CAPITAL BUDGETING

REPORT

OF THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON

PUBLIC WORKS AND TRANSPORTATION

U.S. HOUSE OF REPRESENTATIVES

(Based on hearings by the Subcommittee on Economic Development on H.R. 6591, "Federal Capital Investment Budget Act of 1982", September 14, 15, 21, and 22, 1982)

DECEMBER 1982

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LETTER OF TRANSMITTAL

DECEMBER 21, 1982.

Hon. JAMES J. HOWARD,
Chairman, Committee on Public Works and Transportation
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Earlier this fall the Subcommittee on Economic Development held four days of hearings on HR 6591, the Federal Capital Investment Budget Act, and the concept of capital budgeting for the Federal government. The Subcommittee examined capital budgeting as a decision-making tool to help Federal, State and local officials allocate scarce dollars in the most effective, rational and equitable way to repairing, replacing and adding to the Nation's dearly-bought investment in public capital resources such as streets, highways and bridges, ports and waterways, and water and sewer lines. Capital budgeting would expand the information on capital expenditures and provide for a more comprehensive analysis of these investments in the annual budget documents prepared by the Office of Management and Budget.

Our first hearings were broad in scope, intended as an introduction to a very complex but needed step to improve the management of the Nation's capital stock and strengthen our economic development potential. We have prepared this report to acquaint new Members of our Subcommittee with the actions of the 97th Congress in anticipation of further hearings and action on legislation in the 98th Congress.

Sincerely,

JAMES L. OBERSTAR, *Chairman,*
Subcommittee on Economic Development.

FOREWORD

Capital budgeting is one of the policies the Public Works and Transportation Committee has examined, and will consider further in the 98th Congress to develop responsible and effective programs to maintain and improve the Nation's public facilities. Highways, bridges, waterways, airports, public buildings and other basic public works which this Committee has played a key role in building and developing, are critical to the economic recovery of the country. These elements have proven to be vital to moving the goods and providing the services needed for a strong National economic base made up of diverse local economies. There is convincing evidence that the Nation's public facilities must be repaired and upgraded if economic progress is to take place.

The Subcommittee's work on capital budgeting is an important first step toward obtaining better information on public works needs and to establish a national inventory of past investments. I commend the Subcommittee on its efforts to refine the concept of capital budgeting and its continuing commitment to seek solutions directed at repairing the Nation's infrastructure and promoting economic development.

JAMES J. HOWARD, *Chairman,*
Committee on Public Works and Transportation.

REPORT

The Economic Development Subcommittee conducted hearings on September 14, 15, 21 and 22, 1982, to begin focusing on policies to address the dangerously weakened condition of the Nation's public works infrastructure. In these initial hearings, the concept of capital budgeting was examined as a management tool to help Congress and the Executive Branch develop a rational approach to public investment in capital facilities.

The Subcommittee comes to the subject of capital budgeting from two perspectives: First, the need to protect the American taxpayer's multi-billion dollar stake in these facilities, much of it under the full Committee's jurisdiction, and, second, the essential role of infrastructure in the Nation's future economic development.

Historically, the capital budget concept has been discussed as a device to balance the budget by excluding capital expenditures from the total unified budget; as a way to rationalize debt financing; or as a method of attaining other fiscal or budgetary goals. In the context of these hearings, the capital budget has none of those meanings. Rather, it is viewed as an instrument that could provide the basic information and data pool needed for sound decision-making at the Federal, State, and local levels.

The proposed Federal Capital Investment Budget Act, H.R. 6591, was selected as the appropriate vehicle for these opening hearings because the two major features of this legislation are central to the Committee concept of capital budgeting.

First, H.R. 6591 requires an inventory and assessment of all existing public facilities, such as buildings, roads, bridges, dams, ports and waterways, and water, sewer, and transit systems.

Second, the bill requires the President to identify the Federal Government's capital investments in his annual budget. This comprehensive picture of the Nation's capital assets would be included in an expanded special analysis of the budget for fiscal year 1984. In succeeding years, a full capital budget would identify past public investments in the infrastructure, project capital costs, including the costs of building and maintaining these facilities, and determine revenue sources for a capital investment policy. (Appendix A contains the text of the bill.)

It should be emphasized that the Capital Budget envisioned in this legislation would be a part of the unified budget now used by the Federal Government. It would expand the Special Analysis which the Office of Management and Budget now prepares annually for Congress and the Executive Branch, and implement a full Capital Budget in 1985. The Capital Budget would supply Congress with more useful breakdowns of information on public capital investments by operation, repair, rehabilitation and construction authorizations

and appropriations. Further enhancements of the Special Analysis would include data on public investments by agency, function and geographic area.

Capital projects could be viewed with other programs and evaluated in light of past investments, future needs and available resources. This would enable decision-makers to determine, with the facts and alternatives before them for the first time, the appropriate level of spending needed to protect existing investments and establish priorities and justifications for future capital expenditures.

In current budget practice, the Federal Government, unlike most businesses and State and local governments, makes no distinction between its various types of expenditures. As a consequence, the budget provides no measure of our existing investment in public facilities.

In the four days of the September hearings, the Subcommittee heard testimony from a score of expert witnesses on their first-hand experiences with various forms of capital budgeting at state and local levels as well as in business and industry. Witnesses were unanimous in their support for the adoption of a capital budget as a management tool at the Federal level. It was overwhelmingly endorsed as a practical way to evaluate and to set priorities for long term public works investments.

In addition to listing the advantages of a capital budget, financial managers emphasized that the traditional arguments leveled against a federal capital budget have proven to be unfounded based on their firsthand experience. Opponents of a capital budget have expressed concern about four main issues: (1) That it would automatically increase federal spending for public capital facilities; (2) that priority would be given to "bricks and mortar" at the expense of other national needs, such as defense or social programs; (3) it would reduce the control of the President and Congress over the budget process; and (4) the federal government would become a "super-manager" dictating local policy, such as telling communities which roads to fix or where to extend water lines.

These arguments were cited by the Office of Management and Budget in responding to a General Accounting Office study that advocated the establishment of a capital budget within the unified budget. Although the Office of Management and Budget declined an invitation to testify on the proposal before the subcommittee, historically that agency has objected to the inclusion of capital budgeting in the federal budget process. It is important to point out that the generic term "capital budgeting" has been used in a much broader sense than that envisioned by the Federal Capital Investment Budget Act, which calls for an expanded accounting of capital costs within the unified budget.

Throughout the hearings, testimony was received on the present deplorable state of the Nation's infrastructure. Witnesses emphasized the strong relationship between economic development and a healthy public infrastructure noting that adequate public facilities are a precondition for private sector investment and growth. Capital budgeting and a national inventory of facilities were described as positive policies to promote a more sound public works investment policy. Witnesses also stressed the need for future public works policies

to be directed toward repairing and maintaining the infrastructure. (Appendix B lists the hearing witnesses.)

Testimony on the latter point was buttressed by a "condition report" on the infrastructure published in the September 27, 1982, issue of U.S. News and World Report and included in the Subcommittee hearing record.

The article stated, in part that "Crumbling highways, rusting bridges, backed-up sewers, leaking water mains, bursting dams, broken-down buses and subway cars—these and many other basic problems have been building up for a decade and a half, while the country occupied itself with other concerns. Now the troubles of public works, which economists call the infrastructure, have accumulated to the point where they pose a growing obstacle to a sustained national recovery." Further supporting the magazine findings was a working paper presented by the Associated General Contractors which highlighted the gravity of the problem as follows:

> Some 13 percent of the nation's aging dams are classified as "high hazard."
>
> Municipal water systems require $100 billion by 1990 to keep pace with demand.
>
> Nearly one of every two paved miles of highways needs resurfacing or complete reconstruction.
>
> Nearly half of America's bridges are too old or too weak to adequately and safely handle today's traffic.
>
> Fifty-six of the 184 principal locks on the nation's inland waterway system will require major repairs over the next 20 years.
>
> Deepwater ports, a key to exporting American goods, have insufficient capacity and are stifling trade.

There is increasing evidence that the public works needs across the country are vast and growing. Estimates of costs range from $1 trillion to $3 trillion, in this decade, just to maintain today's level of service on public facilities. While the figures are alarming, particularly in view of the fiscal restraints facing all levels of government, equally appalling is the fact that there is no way to gauge the accuracy of these estimates.

A Subcommittee witness, Dr. Pat Choate who co-authored with Susan Walters the landmark book entitled *America In Ruins*, has estimated that as much as $3 trillion may be needed in the next ten years just to keep those facilities in good working order. The cost of replacing even part of the present infrastructure when it wears out would be even greater, he said.

Dr. Nazir G. Dossani, of the Consad Research Corporation, estimated the value of the Nation's total gross civilian capital stock at $2.7 trillion. He and other expert witnesses agreed that the Nation's enormous investment has been jeopardized by the deterioration and erosion of essential public works facilities and that, while repairs will be costly, continued delay in undertaking them could be disastrous to all levels of government.

It was noted that since the mid-1960's the share of the Gross National Product devoted to capital investment in public works has dropped from 4 percent to 2 percent. In the 1980's alone, according to the General Accounting Office, Federal investment in construction, rehabilitation and acquisition of such facilities dropped from $37

billion in fiscal year 1981 to $34 billion in 1982 to a budget request of only $29 billion for 1983—about one one-hundredth of what is needed for upkeep alone, if the staggering repair estimates that have been given to the Subcommittee are correct.

Peter C. Goldmark, Jr., Executive Director for the Port Authority of New York and New Jersey, posed this question for the Subcommittee:

> In what forum was the decision to go down that slope debated? In what political campaign, in what arena were the pros and cons of deciding to start down that road aired? In what debate was it decided our capital outlay should be set at one-quarter the level of our strongest economic competition, Japan? In what presidential budget was it laid out that that would be an adequate level to support the American economy as it enters a period of severe competition?

The answer is, of course, none of the above. Mr. Goldmark pointed out that there was no debate, no weighing of current vs. deferred costs, no conscious decision taken, and no mechanism to array capital cost considerations.

Lack of action based on lack of information became its own policy, the witness said.

But, as Dr. T. Alexander Pond, Chief Academic Officer of Rutgers University, put it succinctly in his testimony: "Waiting for it (the infrastructure) to wear out isn't the way to handle the problem."

William Heineman, President of Environmental Management Consultants, which designed a capital budget for the Job Corps' physical plant, cited what he called the "tidal wave" effect of deferred maintenance.

"The tidal wave effect illustrates that you can't replace this loss with similar dollars. You replace it with substantially higher dollars," he said. It is no real saving to defer roof repairs, he pointed out, if this decision means that next year the ceiling and the floor will also have to be repaired.

Dr. Choate summarized what he called the "fallacy" of the current public investment policy this way:

> Disarray causes delay and delay increases the ultimate cost to the taxpayers. The taxpayer ultimately picks up the tab, regardless of which level of government initiates the capital investment.

To the contention that a Capital Investment Budget would automatically make the Federal Government a "supermanager" dictating local policy, telling communities which roads to repair and where to extend its water lines, Dr. Choate replied that "the absence of a Federal capital budget is in large measure one of the principal causes of the chaos in State and local capital budgeting."

> I think the point is precisely the opposite, he said. The State and local governments need clarity as to which activities the Federal Government is not going to engage in, which activities it is going to leave exclusively to the State and local governments. In the absence of a Federal capital budget and in the absence of clarity of the responsibilities that such a budget would help produce, again, State and local governments are left to a very confused situation.

Dr. Wilbur A. Steger, President of Consad Research which prepared a major study, *Public Works Investment in the U.S.*, for the Department of Commerce, told the Subcommittee, based on his experience, that uniform standards and definitions, which recognize variances from one area to another, are central to obtaining a credible "inventory" of public facilities investments.

Dr. Alexis P. Kisteneff, Senior Scientist for Abt Associates, described this inventory gathering as "an exercise in intergovernmental relations" and emphasized his belief that State and local officials must be involved in any such process from the beginning.

A number of witnesses who have worked closely with local communities pointed out that a wealth of information on the age and conditions of public facilities is readily available from State and local officials.

George Peterson, Director, Public Finance Center for the Urban Institute, recommended that an appropriate Federal role may be to develop incentives to stimulate local governments to make realistic and positive choices for repair, rehabilitation, and maintenance of their facilities.

Mr. Peterson, who has worked closely with a number of cities on their infrastructure problems, noted that private business is keenly aware of the link between economic recovery and the condition of such essential facilities as water and sewer lines, and roads and bridges in their communities.

In Cleveland, for instance, "the business sector perceived that if it was going to remain competitive at all 20 years from now it had to act now to repair capital net worth," he said.

> It was the business sector that was so convinced of this that, for the first time, it took the lead in pressing for a tax increase as long as half of it was targeted to capital repairs.

Mr. Peterson cautioned that it might be "beyond the realm of the possible" for the Department of Commerce or the Office of Management and Budget to establish by January, 1984, a uniform set of standards for items of public capital investment, as provided in the proposed legislation, H.R. 6591.

Mr. Goldmark of the New York/New Jersey Port Authority also expressed concern about the scope and deadlines in the bill. He said,

> While it is in our interest to have a comprehensive inventory and needs assessment, it might be better to err on the side of practicability. For the purposes of this legislation, perhaps [the definition of] civilian public facilities should initially be limited to transportation, water supply, waste water treatment, energy facilities, and Federal buildings. The remainder of the civilian public facilities listed in the bill could then be phased in according to an established schedule.

Regardless of the methodology used to establish a national inventory of public facilities, experts told the Subcommittee that the data must be realistic and unbiased toward any region or size of community. Dr. Kisteneff warned that the inventory and assessment cannot be construed as "just another needs survey" or a "wish list" or it will lose all credibility.

The Subcommittee witnesses were unanimous in their support for the concept of capital budgeting, repeatedly noting that, in contrast to current federal budget procedures and investment practices, it would provide a more accurate picture of the Nation's capital stock and the economic implications of capital expenditures.

Winston C. Evans, Director of Finance for the City of Dallas, stressed the value of the capital budget as a way to "emphasize long-range and strategic planning for facilities. It provides continuity to

facilities and development planning, and reduces the impact of legislative turnover every two years."

Senator Christopher J. Dodd of Connecticut also supported the concept. He said,

> Capital budgeting in the context of this bill is not a definitional quick fix to skyrocketing deficits, but rather a planning and management process. It is a realistic approach to sorting out responsibilities among levels of government and establishing priorities.

David J. Mahoney, Chairman of the Board and Chief Executive Officer of Norton-Simon, Inc., defined capital budgeting as a "planning, management and reporting tool." Using a separate capital budget is a practice common in the business community, he told the Subcommittee, because it provides the means to measure accurately a company's true fiscal standing.

An example, offered by Dr. Albert T. Sommers, Chief Economist of the Conference Board, was the American Telephone and Telegraph Company, which without the use of a capital budget would show a $5 billion deficit each year. And that, said Dr. Sommers, "would hardly be an appropriate reflection of the true state of that company."

Dr. Sommers said the lack of an organized approach to capital outlays is an "inherent weakness" in the present Federal budgeting system.

> What we have is a proliferation of programs, often bearing on the same objectives, that are not constrained or controlled together, and that results in a very weak decision-making structure.

He went on to warn that:

> We are liquidating the U.S. economy if we do not get our capital house in order. Productivity in the private sector rests on a great deal of support provided from the public sector. Businessmen know this. Even in our international position, failure to construct the ports to export the coal is a limitation on our exports. The condition of the roads is an inhibition on the transfer of goods. These are tangible kinds of defaults.

Comptroller General Charles A. Bowsher reported, on the basis of an in-depth study of Federal government budgeting procedures, that even the most rudimentary of the management and planning practices used by most organizations, including private businesses, States, and local governments, are non-existent at the Federal level. Perhaps the title of the GAO Report, *Federal Capital Budgeting: A Collection of Haphazard Practices*, best characterizes current policy.

It was pointed out that a Federal Capital Investment Budget would address these deficiencies, fill the information vacuum and provide a comprehensive view of capital investments.

The Comptroller General said such a capital budget would not automatically accord priority to "brick and mortar projects" over other areas of domestic spending.

> I don't think that, especially in this kind of economic environment, with the large deficits that we have in the Federal budget, you will have automatic increases in Federal spending just because you have segregation of this information. I think that just wouldn't take place at all.

Dr. Robert C. Wilburn, Secretary of Budget and Administration for the Commonwealth of Pennsylvania, agreed that a capital budget would not set apart and therefore "protect" infrastructure spending

or reduce control by the President and Congress over the budget process. He said,

> There is nothing sacrosanct about a capital budget. It expands and contracts depending on the particular needs of the time. And the decisions that are made take into account both the capital account and the operating budget. I don't see why the existence of one necessarily interferes with the ability to control the other.

Arnold Cantor, Assistant Director for Economic Research of the AFL-CIO, emphasized the need for investment in infrastructure projects. He said,

> Short-changing investments in facilities related to health, education, energy, fire safety, solid waste removal, water supply, parks, highways, bridges, ports, railroads and urban transit in the name of fighting inflation will result in dramatic reductions in the Nation's economic growth, living standards and productive potential. Bottlenecks, idle capacity, and wasted resources result, which add to inflationary pressure.

Witnesses enthusiastically endorsed capital budgeting as a step toward certainty, predictability and equity in determining capital investments and infrastructure renewal.

CONCLUSIONS

Where Do We Go From Here?—Agenda for the 98th Congress

These framework hearings are the first chapter of a search for solutions—a way to identify, develop and implement a capital investment policy based on the prudent use of limited resources. They were informational and educational. The testimony and findings of these hearings provide a strong foundation on which to build in future hearings. We do not consider them to be conclusive or exhaustive. Many questions remain unanswered at this time, particularly in reaching agreement on the specifics of an inventory and assessment of public facilities and on the overall spending decisions which must be made in any future capital investment policy.

Rebuilding the Nation's infrastructure may well be the most costly undertaking of the 1980's and 1990's. While not the subject of these initial hearings, financing choices are critical to this issue. The magnitude of the problem will require extensive debate and a commitment to seek new financing avenues. Some of the questions which must be addressed are:

How much capital, public and private, should be invested in revitalizing public facilities?

How should resources and the responsibilities be allocated among various levels of government and the private sector?

What resources are available for capital investment, and are there new funding mechanisms to be identified?

Are we duplicating facilities while neglecting or overbuilding certain other types of public facilities?

How much should be spent on new construction versus rehabilitation of public facilities?

While many of these issues are outside the jurisdiction of the Public Works and Transportation Committee, we have a responsibility to provide leadership in improving the management and encouraging the restoration of the Nation's public facilities throughout the country,

and a responsibility to protect this multi-billion dollar investment. The adoption of a capital investment budget is a modest step toward developing a more sound management policy.

It is important to stress that the focus of these hearings has not been on the amount of money to be spent on capital facilities or the total cost of renewing the Nation's infrastructure. These hearings and the concept of capital budgeting focus on the process by which we decide the level and allocation of resources for capital investments.

We concluded that we must move ahead to refine this capital investment budget legislation. Witnesses from a broad background recommended capital budgeting as a sound management tool. There has been sufficient experience to show that a capital investment budget promotes long-range planning, emphasizes the value of maintaining public facilities and establishes a more rational system for decision-makers to set spending priorities. Local business development is dependent on a strong, healthy infrastructure. The current state of disrepair and decline in the Nation's multi-billion dollar capital investment compels us to develop a more farsighted public investment policy.

The adoption of a capital investment budget is a move toward a prospective public policy, rather than the retrospective action too often indicative of public works decisions. A capital budget would provide information that is not presently available to the Congress and the Executive Branch so that they can make capital decisions by weighing the evidence, evaluating all resources and projecting future needs.

A comprehensive inventory and assessment of public developmental facilities is necessary to define the scope of the task of rebuilding the Nation's infrastructure. Researchers and scientists stressed a need for more up-to-date information and for more precise statistics to establish a national inventory of public facilities.

The Subcommittee intends to continue to review and evaluate national, State and local inventories of facilities.

We are committed to utilizing existing efforts on a national level, as well as integrating and adopting State and local inventories associated with capital budgeting, wherever possible. Recognizing there is a considerable difference in time and cost, depending on the scale of a national inventory and assessment of capital facilities, we want to explore fully the quality of available resources.

These framework hearings should be considered a starting point for the development of legislation to accomplish the goal of providing the President and the Congress with the most accurate and comprehensive information available on the nation's infrastructure system. In the 98th Congress, the Subcommittee will continue to refine the Capital Investment Budget legislation and examine other proposals which promote a more rational and pragmatic public investment policy to foster and support economic development.

One fact has become clear at our initial hearings: taking no action to remedy the current situation will drastically increase costs in the future. To do nothing; to continue our present course of neglect, represents a policy decision of its own, which will leave future Americans holding the tab for the replacement bill, in an economy crippled by its lack of capital facilities.

APPENDIX A

97TH CONGRESS
2D SESSION

H. R. 6591

To amend the Budget and Accounting Act, 1921, to require the President's budget to separately identify and summarize the capital investment expenditures of the United States, to amend the Public Works and Economic Development Act of 1965 to require the Secretary of Commerce to conduct an inventory and assessment of the Nation's public facilities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 1982

Mr. CLINGER (for himself, Mr. EDGAR, Mr. BUTLER, Mr. OBERSTAR, Mr. FISH, Mrs. KENNELLY, Mr. FRENZEL, Mr. LUNDINE, Mr. BEREUTER, Mr. LEACH of Iowa, Mr. LIVINGSTON, and Mr. PRITCHARD) introduced the following bill; which was referred jointly to the Committees on Government Operations and Public Works and Transportation

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A BILL

To amend the Budget and Accounting Act, 1921, to require the President's budget to separately identify and summarize the capital investment expenditures of the United States, to amend the Public Works and Economic Development Act of 1965 to require the Secretary of Commerce to conduct an inventory and assessment of the Nation's public facilities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Federal Capital Investment Budget Act of 1982".

PURPOSES

SEC. 2. The purposes of this Act are—

(1) to provide basic information of the capital infrastructure of the Nation in an organized and rational manner;

(2) to identify serious deficiencies in the public investments that are deteriorating and beyond repair and to identify those that are constraining national growth;

(3) to allocate limited funding in public infrastructure in a cost-effective and orderly manner by allowing the establishment of reasonable priorities in capital investment;

(4) to distinguish between Federal, State, and local responsibilities in order to reduce fragmentation and duplication of effort; and

(5) to improve legislative oversight over public capital investments.

FEDERAL CAPITAL INVESTMENT BUDGET

SEC. 3. Section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11), is amended by adding at the end thereof the following new subsection:

"(k)(1) The President shall include with each Budget submitted under subsection (a) on or after January 1, 1983, a special analysis, for the ensuing fiscal year, which shall identify for each function, category, agency, and program of appropriation and expenditure in the Budget the amount of appropriations and expenditures which may be classified as public infrastructure investments, and shall contain appropriate summaries of the total amount of such appropriations and expenditures. In addition, the special analysis under this paragraph shall contain—

"(A) an estimate of current aggregate public infrastructure investments and those required to provide specific levels of public infrastructure capital services over periods of one, five, and ten years;

"(B) an estimate of current aggregate operation and maintenance investments and those required to provide specific levels of public infrastructure capital service over periods of one, five, and ten years;

"(C) an identification of potential and alternative sources of financing and capital investment constraints at the State and local level of government;

"(D) an identification of Federal public infrastructure investment priorities;

"(E) an identification explaining the relationship of the proposed annual capital expenditures contained

in the proposed Budget to the Nation's longer term needs and the Federal Government's longer term public capital infrastructure strategies; and

"(F) a ten-year projection on anticipated capital and related operation expenditures.

"(2) In addition to the information required by paragraph (1), the President shall include with each Budget submitted under subsection (a) on or after January 1, 1984, a capital investment budget which shall identify by State (considering the District of Columbia and each insular area as a State) the amount of appropriations and expenditures which may be classified as public infrastructure investments, and shall contain—

"(A) an estimate of separate construction, rehabilitation, operation, and maintenance investments and those required to provide specific levels of public infrastructure capital service over periods of one, five, and ten years;

"(B) the establishment of a uniform set of standards of service to measure the specific level of service provided by specific types of public infrastructure capital;

"(C) an estimate of the costs, over discrete periods of time, to continue specific present, higher, and lower levels of service;

"(D) an assessment of the levels of service being produced by public infrastructure capital; and

"(E) a ten-year projection of appropriate amounts for the capital investment budget.

"(3) For the purposes of this subsection, any appropriation or expenditure shall be classified as a public infrastructure investment to the extent that funds so appropriated or expended will be used for the construction, rehabilitation, or repair of any civilian public facility in the United States, including—

"(A) education facilities (public schools and public libraries);

"(B) energy facilities (direct power energy generation facilities and energy supply facilities);

"(C) fire safety (facilities and equipment);

"(D) health (clinics, hospitals, emergency vehicles and specialized equipment);

"(E) justice (law enforcement facilities, jails and prisons);

"(F) recreation (facilities);

"(G) solid waste (collection and disposal facilities and equipment);

"(H) telecommunications (radio, television, and disaster preparedness facilities and equipment);

"(I) transportation (highways, roads, bridges, rail, port, river, inland water, airport, pipeline, and mass transit facilities and equipment);

"(J) water supply (storage, transport, treatment and distribution facilities);

"(K) waste water disposal (disposal treatment and transport facilities); and

"(L) Federal buildings and grounds.

"(4) For the purposes of this subsection—

"(A) the term 'construction' means the erection of new structures and the acquisition and installation of initial equipment therefor;

"(B) the term 'rehabilitation' means the alteration of an existing structure and the acquisition and installation of initial equipment or modernization or replacement of such equipment; and

"(C) the term 'repair' means the maintenance and operation activities on an existing structure to ensure the continuing functioning of the structure.".

SEC. 4. Title VII of the Public Works and Economic Development Act of 1965 is amended by adding at the end thereof the following new section:

"INVENTORY AND ASSESSMENT OF PUBLIC FACILITIES

"SEC. 717. (a) The Secretary, acting through the Economic Development Administration, shall prepare an inven-

tory of civilian public facilities in the United States (including those civilian public facilities described in section 201(k)(3) of the Budget and Accounting Act, 1921) and an assessment of the physical condition of such public facilities.

"(b) The Secretary shall make a report of the inventory and assessment required by subsection (a) to Congress not later than January 1, 1984. The Secretary shall update such report and transmit a copy thereof to Congress annually thereafter.

"(c) The Secretary may secure directly from any department or agency of the United States information necessary to enable the Secretary to carry out this section. Upon request of the Secretary, the head of such department or agency shall furnish such information to the Secretary.".

APPENDIX B. LIST OF WITNESSES

Beatty, Hubert, executive vice president, Associated General Contractors of America, Washington, D.C.; John W. Sroka, executive director, occupation divisions; H. C. Heldenfels, president, AGC, and president, Heldenfels Bros., Inc., Corpus Christi, Tex.; Doug Pitcock, vice president, AGC, and president, Williams Bros. Construction Co., Inc., Houston, Tex.; Thomas E. Dailey, past president, AGC, and chairman of the board and president R. E. Dailey & Co., Detroit, Mich.

Bowsher, Charles A., Comptroller General of the United States, General Accounting Office, Washington, D.C.; accompanied by Harry Havens, Assistant Comptroller General for Program Evaluation; Arthur J. Corazzini, Deputy Director, PAD; and Ken Hunter, Senior Associate Director, PAD.

Cantor, Arnold, assistant director, Department of Economic Research, AFL–CIO, Washington, D.C.; accompanied by Richard Krashevski, research associate.

Choate, Dr. Pat, senior policy analyst for economics, TRW Inc., Washington, D.C.

Dodd, Hon. Christopher J., U.S. Senator from the State of Connecticut.

Evans, Winston C., director of finance, city of Dallas, Tex.

Goldmark, Peter C., Jr., executive director, Port Authority of New York and New Jersey; accompanied by Steve Carlson, manager, infrastructure unit.

Heineman, William, president, Environmental Management Consultants, Inc., Washington, D.C.

Keller, Dr. Kenneth H., vice president for academic affairs, University of Minnesota, Minneapolis, Minn., accompanied by John C. Crowley, the Association of American Universities.

Kisteneff, Dr. Alexis P., senior scientist, Abt Associates, Inc., Cambridge, Mass.

Mahoney, David J., chairman of the board, and chief executive officer, Norton Simon, Inc., New York, N.Y.; accompanied by Bob Walter, chief financial officer.

Peterson, Dr. George E., director, Public Finance Center, Urban Institute, Washington, D.C.

Pond, Dr. T. Alexander, executive vice president, and chief academic officer, Rutgers, the State University of New Jersey, New Brunswick, N.J.

Sommers, Dr. Albert T., senior vice president and chief economist, the Conference Board, New York, N.Y.

Steger, Dr. Wilbur A., president, Consad Research Corp., Pittsburgh, Pa.; accompanied by Dr. Nazir G. Dossani, vice president, Consad Research Corp., Vienna, Va.

Wilburn, Dr. Robert C., secretary. Budget and Administration, Commonwealth of Pennsylvania, Harrisburg, Pa.; accompanied by Arthur D. Heilman, bond and revenue analyst, Office of Budget and Administration.

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